

III CALSTARS System Overview

The California State Accounting and Reporting System (CALSTARS) is a comprehensive and flexible system that satisfies most state agency accounting and reporting requirements. This chapter provides an overview of the CALSTARS system objective and features, and the accounting, data processing, reporting functions.

SYSTEM OBJECTIVES

CALSTARS is designed to support the accounting and reporting needs of financial management personnel within the state's agencies and institutions. The overall objectives of the system are to:

- ✧ Satisfy the reporting needs of individual agencies and institutions for financial accountability and management control;
- ✧ Provide timely, accurate, and meaningful financial information through the installation of a common system (CALSTARS), while allowing agencies and institutions to maintain additional systems that are independent of CALSTARS to perform specialized processes;
- ✧ Streamline the processing of accounting transactions and client access to accounting information;
- ✧ Provide a standard data base structure which may be used at the agency and institution level to provide flexible reporting of financial information for management purposes;
- ✧ Provide agencies and institutions with the capability to accumulate and report financial information for projects with life spans crossing state fiscal reporting periods;
- ✧ Be compatible with and allow the future integration of current and anticipated budgeting practices of the state;
- ✧ Satisfy all legal requirements of accounting for the state's resources at the agency and institution level;
- ✧ Provide the agencies and institutions with the capabilities to meet state reporting requirements (Year-end Financial Reports) in an accurate and timely manner;
- ✧ Provide agency and institution management with responsible flexible reporting capabilities to serve individual agency needs; and
- ✧ Provide agency staff the opportunity to improve the system by submitting their suggestions for improving CALSTARS.

SYSTEM FEATURES

In general, CALSTARS:

- ✧ Provides data entry with limited edit validation and range tests for accounting transactions, claim schedule file maintenance, table maintenance and error correction transactions;
- ✧ Provides the ability to view or print all transactions entered during the day;
- ✧ Transmits accounting transactions, claim schedule file maintenance, table maintenance and error correction transactions to the Health and Human Services Data Center (HHSDC) for processing; and
- ✧ Provides a reporting facility for ordering and distributing CALSTARS reports.

Each of these system features is discussed below.

Data Entry with Limited Validation and Range Tests

CALSTARS contains various data entry programs for online accounting transaction entry, batch balancing, claim scheduling, error correction and table maintenance entry. Some data items are validated as they are entered. If a data item fails an edit test, the system responds with an appropriate error message. The operator then enters the corrected data item. The data entry edits require that all data items entered for a transaction pass all validation tests or the transaction will not be accepted by CALSTARS.

After all data items for a transaction are entered and validated, the system, in some cases, allows the operator to make changes to some transactions before transmission. In other cases, transactions update the system immediately (real-time). Any changed field is revalidated and the successfully modified transaction replaces the original entry.

Agencies may also submit electronic files containing accounting transactions and table maintenance that are created outside of CALSTARS. These files (also known as 'External Files') must pass validation tests prior to being loaded to CALSTARS for normal editing and processing.

View and Print Capabilities

Transactions entered during the day may be viewed or printed. Accounting transactions and batch headers may be viewed and printed on the agency printer at any time during the day by entering a "print request".

The error correction, claim scheduling and many table maintenance processes provide a recall function for viewing transactions and modifying them if needed

(others are updated immediately). In addition, the table maintenance processes provide print functions which may be used to request specific table listings (all or a specific FFY) on an over-night basis.

Finally, the contents of any viewed screen may be printed on the agency printer by using a special "screen print" command.

Transmit Data to the Data Processing Center

CALSTARS transmits the daily accounting transactions, error corrections, daily claim scheduling and table maintenance transactions from the agency to the HHSDC to update the CALSTARS master files. This process occurs online for some processes/tables and on an overnight basis for others.

Print CALSTARS Reports

Most CALSTARS reports may either be printed at the agency or printed at the HHSDC and delivered or mailed to the agency while some others are only produced on microfiche. System generated reports, such as error reports and daily transaction listings, are usually printed at the agency.

ACCOUNTING OVERVIEW

CALSTARS functional accounting areas include:

- ✧ Appropriation Accounting;
- ✧ Appropriation Accounting--Cash Control;
- ✧ Allotment Accounting;
- ✧ CALSTARS Budget Plans
- ✧ Budget Preparation Support;
- ✧ Encumbrance Accounting;
- ✧ Claim Schedule Processing/Disbursements;
- ✧ Obligation Accounting;
- ✧ Receipt Accounting;
- ✧ Accounts Receivable Accounting;
- ✧ Office Revolving Fund;
- ✧ Federal Grant Accounting;
- ✧ General Ledger Accounting;
- ✧ Cost Accounting/cost allocation; and
- ✧ Labor cost distribution.

Each of the primary accounting functions is discussed on the following pages, except Cost Accounting/Cost Allocation and Labor Distribution which are discussed separately in Volume 2.

Appropriation Accounting

Appropriation accounting controls state financial activities to those levels and purposes specified in the annual Budget Act and other pertinent legislation. An appropriation is a legal authority granted to a state entity to make disbursements or incur liabilities for a specified purpose, period and amount.

State law requires (with some exceptions) that appropriations be structured programmatically rather than by the traditional line item (personal services, operating expenses, etc.). This also is more compatible with the Governor's Budget program display. In general, the program approach places more emphasis on identifying the public purposes for which appropriations are made. Accounting for program appropriations is usually more complex than the traditional line item approach. Data processing to support program accounting is a necessity for most agencies.

The primary objective of appropriation accounting is to ensure that expenditures stay within the legal limits contained within the Budget Act and other authorizing legislation. As an added safeguard, the State Controller's Office (SCO) verifies that an adequate appropriation balance exists prior to approving a disbursement and issuing a warrant (check). If an agency disbursement request would cause an appropriation to become overexpended, the SCO is obligated to reject the request and return the documents to the requesting agency.

To assist agencies and avoid disbursement processing problems with the SCO, CALSTARS appropriation accounting features include functions that:

- ✧ Monitor the status of each appropriation control amount;
- ✧ Identify transactions that exceed appropriation control amounts;
- ✧ Account for appropriations by period of availability;
- ✧ Account for appropriation adjustments;
- ✧ Account for appropriation reimbursements as separate items; and
- ✧ Identify pending budget revision totals.

Each function is discussed in the following pages.

Monitor the Status of Each Appropriation Control Amount

CALSTARS identifies and accounts for each agency's appropriation amounts. The appropriation amounts represent the legal spending limit contained in the Budget Act or other pertinent legislation. The SCO independently establishes spending limits authorized by each item of appropriation.

Appropriations are made in various ways. Programmatic appropriations may be at the program, component, element or task level. The specific level of appropriations varies from agency to agency. Moreover, the level of detail may vary within an agency. Finally, some appropriations will be made to agencies by category, object or no level of detail (unscheduled).

To provide an adequate means of accounting for appropriations, CALSTARS uses either category (for appropriations not on a programmatic basis) or program with varying levels of detail. Additionally, CALSTARS carries key elements of information for each appropriation, such as fund, funding fiscal year, character, reference, year of enactment and period of availability.

Identify Transactions That Exceed Appropriation Control Amounts

The appropriation control process used by the SCO is primarily concerned with disbursement transactions. CALSTARS provides each agency with additional safeguards by verifying that an adequate balance exists prior to posting expenditure, obligation or encumbrance transactions. Those transactions that cause an appropriation deficit are identified in the edit process and reported. Each agency can decide to have CALSTARS: (1) Reject those transactions as appropriation control errors; (2) Permit the transactions to post with a warning message; or, (3) Permit the transactions to post without a warning message.

Account for Appropriations by Period of Availability

Budget Act appropriations are normally available for one year for expenditures with an additional two years to liquidate encumbrances. Other appropriations may be available for varying periods. Agencies need to know when their appropriation spending authority expires. Therefore, CALSTARS maintains information to indicate the period for which a particular appropriation is available. Expenditure transactions occurring before or after the appropriation is available are reported. These transactions are treated as rejects (fatal errors) or warnings at the agency's option.

Account for Appropriation Adjustments

Appropriations may have adjustments, such as transfers, revisions and reserves that either increase or decrease the available balance. Agencies need to know what adjustments, if any, have impacted an appropriation. CALSTARS can account for an original appropriation from the Budget Act, as well as subsequent adjustment balances.

Account for Appropriation Reimbursements as Separate Items

Many state agencies provide services to other state agencies and the public on a reimbursable basis. The level of reimbursements an agency expects to receive is included as a separate line item in the Budget Act as scheduled reimbursements. These scheduled reimbursements are a source of funding. An agency may make reimbursement expenditures and recover reimbursement receipts up to the amount scheduled in the Budget Act. Expenditures not reimbursed become a charge against the support fund, usually the General Fund. Reimbursement receipts recovered above the level authorized may not be expended unless approved by Budget Revision.

CALSTARS accounts for each reimbursement item (programmatically or otherwise) as a separate appropriation control amount. CALSTARS can account and report each reimbursement item based on the receipt Source code.

Identifies Pending Budget Revision Totals

As Budget Revisions are submitted, a memo accounting may be used in CALSTARS to identify those pending amounts within each appropriation item. Although these amounts do not affect the appropriation balance, they may be seen on certain appropriation reports.

Appropriation Accounting – Cash Control

The SCO verifies that a fund has an adequate cash balance in the State Treasury before releasing a warrant payable from that fund. If an adequate cash balance does not exist, the SCO either holds or returns the disbursement request to the submitting agency.

To assist the agency in its cash accounting responsibilities and to avoid disbursement processing problems with the SCO, CALSTARS accounts for the current cash balance of non-shared funds. A non-shared fund is one in which only one agency has appropriation authority. To maintain cash balances, all detailed activity (such as collection of receipts) related to a particular appropriation must be recorded in CALSTARS. This information is available on a cumulative-to-date basis. Although shared funds such as the General Fund are accounted in CALSTARS, cash control management is not applied.

Cash balances for non-shared funds are monitored by CALSTARS and the SCO at the same level of detail (fund or subfund/fund detail). As disbursement transactions are processed in CALSTARS, the cash balance is verified to ensure that an adequate balance exists. If there is not sufficient cash, the disbursement transaction is flagged or rejected and reported with an appropriate error message.

Allotment Accounting

Allotment accounting encompasses two major functions. First, agency or program managers may need to prevent expenditures from exceeding certain externally imposed budget controls below the appropriation level. Secondly, agency or program managers may need to control internal budgets within appropriated amounts.

To meet each need, CALSTARS provides agencies with the ability to account for allotments. An agency may establish some levels of control (reject, warning, no warning) for allotments and edit all applicable expenditure and encumbrance transactions against them. Transactions exceeding these amounts may be rejected, depending on the established level of control and level of allotment posting.

These internal allotments represent guidelines for detailed expenditures. Allotment periods may be established either annually or quarterly and set programmatically, organizationally and/or by object of expenditure.

WARNING: Detailed control levels and/or use of more than one type of control (e.g., program and organization and Object Detail combination) will significantly increase the maintenance and management aspects.

Accounting for allotments in CALSTARS is optional. Many agencies achieve their control objectives by using appropriation control and budget plan reports provided by the Operating File.

CALSTARS Budget Plans

CALSTARS budget plans are an optional feature of the Operating File. Budget plans allow an agency to establish amounts for monitoring budgets similar to the Allotment Expenditure Ledger (AEL) used in a manual accounting system. Budgets may be defined by program, internal organization and/or object of expenditure and fund. There is no control feature. The manager must decide what structures and levels to use and what management ("Q") reports to use.

CALSTARS budget plans have the greatest flexibility. Budget plans may be established at very low, intermediate or summary levels. To be meaningful, budget plan entries must be entered with all the appropriate structures and levels of detail. Budget plan entries may be established for one part of a program or for every program and organization within an agency. They may be less than, equal to, or exceed appropriations. Management may use budget plans for specific objectives or may require their use for routine monitoring and review.

Budget Preparation Support

The Constitution of the State of California requires the Governor to submit to the Legislature on January 10 of each year, a plan of expenditures for the ensuing fiscal year, together with the necessary revenues to support those expenditures. This plan is called the Governor's Budget and is a compilation of the budgets of all agencies in state government. The Governor's Budget consists of narrative and financial displays. Typically, dollar amounts and corresponding personnel years are displayed in three columns:

- ✧ Past Year Actual - actual amounts for the fiscal year ending the previous June 30;
- ✧ Current Year Estimated - estimated amounts for the year beginning July 1 and ending June 30. The amounts have been updated for caseload, known Executive Orders and Budget Revisions; and,
- ✧ Budget Year Proposed - amounts requested for the fiscal year beginning next July 1 through the annual Budget Act. Before the amounts can be expended, they must be approved (or modified) by the Legislature. The Governor may then either accept the amounts as voted by the Legislature, or

"blue-pencil" (reduce) them. Any amount blue-penciled must contain a reason, which is printed in the Veto Message in the front of the Budget Act.

CALSTARS supports budget preparation by furnishing Past Year Actual data to agency budget staff. That same information is used to prepare Year-end Financial Reports. Budget Officers often rely on historical patterns of expenditures and funding sources to develop future budget plans. In addition, a series of reports use information for the Budget Preparation System (BPS) administered by the Department of Finance. These CALSTARS reports are similar in format to the budgetary Schedule 10 and Schedule 10R reports. During the current year they display initial appropriations, approved Budget Revisions and Executive Orders and budgetary expenditures. After the close of the year they display the amounts in a Schedule 10 format that are the same as amounts in the Year-end Financial Reports.

Encumbrance Accounting

Encumbrance accounting involves the recognition of commitments incurred by governmental agencies that will subsequently become expenditures when the goods or services are received. Encumbrances represent purchase estimates, purchase orders, contracts or other similar documents. Recording encumbrances in addition to actual expenditures helps to manage available appropriation, allotment, and budget balances. Appropriation, allotment and budget balances are simultaneously adjusted to reflect encumbrances created in CALSTARS and later the expenditure with any associated encumbrance liquidation.

Information provided from encumbrance accounting is valuable for both management and appropriation control purposes. By recording the estimated cost of purchase orders and contracts as conditional liabilities, managers are constantly aware of the potential impact of previous financial decisions.

Sometimes there is a significant delay between the time a purchase order is issued or a contract is written and when a payment must be made. Unless managers are provided with current information regarding their future liabilities, funds originally intended to finance these items may be unknowingly diverted to other activities. When the time comes to pay for these goods and services, sufficient funds may otherwise not be available.

CALSTARS encumbrance accounting:

- ✧ Provides item-by-item document level accountability of each encumbrance by number;
- ✧ Safeguards against overexpenditure of funds/mischarge of expenditures; and
- ✧ Tracks the status of each encumbrance document and all actions against it.

Each is discussed below.

Item-by-Item Document Accountability

Each encumbrance document is tracked separately by CALSTARS. When an encumbrance is entered in CALSTARS, it is assigned a document number. All subsequent activity affecting the encumbrance document is identified by that document number. CALSTARS maintains descriptive information about the encumbrance such as vendor number/name, create date, the last processing date, and the closing date (after the final payment is made). Encumbrance documents are recorded at the lowest level of detail in the classification structure, including Program Cost Account (PCA), Index Code (IC), and Object Detail/Agency Object.

Agencies may need to distribute the cost of each purchase or service to many different object detail/agency object combinations. For example, an agency issuing a purchase order for fifteen new filing cabinets may want to identify the encumbered amount in proportion to the organizational entities receiving those filing cabinets. CALSTARS supports the multiple distribution of amounts from one encumbrance document. A Document Number Suffix may be used to identify each accounting classification and amount within a complex encumbrance document. Another method to record a complex encumbrance document is use one Document Number/Suffix and one IC/PCA that will distribute the total amount of the encumbrance during the encumbrance/cost allocation process.

Safeguards Against Overexpenditure of Funds/Mischarge of Expenditures

Encumbrance accounting provides a safeguard against overexpenditure by posting individual encumbrance amounts as they affect appropriations and allotments. Prior to an encumbrance being posted, the appropriation and allotment balances are checked to determine if there is a sufficient available balance. If not, the transaction may either be rejected or reported as a warning, at the agency's option. Budget reports are also useful for monitoring encumbrances, although there is no automated control feature. Because of document coding details and document match requirements, posting expenditures to the wrong encumbrance document may be avoided.

Track the Status of Each Encumbrance Document

CALSTARS provides information on each encumbrance document. CALSTARS records the original encumbrance amount, and any adjustments, as separate items. The combination of each item shows how the encumbrance was originally recorded as well as the subsequent adjustments that were made. CALSTARS also shows the liquidation and payment history of each encumbrance. Separate amounts are maintained for each payment and liquidation for every encumbrance.

An agency may process partial or final payments against each encumbrance. Upon processing a partial payment, CALSTARS liquidates only the amount of the encumbrance being paid. The remaining balance stays in the records and is reflected on subsequent reports. Upon processing a final payment, the encumbrance and reserve for encumbrance are automatically liquidated. Differences between any remaining encumbrance balance and the final payment are automatically adjusted so that the outstanding encumbrance balance is zero.

Claim Schedule Processing/Disbursements

The primary method of processing payments to vendors (including non-salary payments to employees) is to submit a claim schedule to the SCO for warrant preparation. The other method (Office Revolving Fund) is discussed later in this section.

Using the claim schedule process, the Claim Schedule Face Sheet (STD 218A) is a form to summarize expenditure transactions by vendor within an appropriation account. When submitted to the SCO, the claim schedule face sheet is attached on top of the original vendor invoices. A remittance advice also must be included for each vendor. This form (STD 404C) contains the vendor's name and mailing address and may include a listing of the vendor's invoices being paid.

After performing the necessary audit steps, the SCO prepares the warrant and matches it with the remittance advice. The information on the remittance advice form is used as a mailing insert in a window envelope. The SCO then notifies the agency of claims paid with the Notice of Claims Paid form (CD 102). A CD 102 electronic data transfer is also received by CALSTARS and at the agency's option, all matching records automatically post to clear Claims Filed records.

CALSTARS provides two methods for preparing and processing Claims Schedules: an automated scheduling procedure and a manual scheduling procedure. Because of its time savings, the normal claims processing method is the automated scheduling procedure. Using this method, agency personnel record expenditure and other disbursement transactions in CALSTARS batches with the data necessary to generate the claim schedule face sheet and the required remittance advices. These transactions are fully edited. Valid transactions go to a Warrant Write File. Transactions not passing all edits go to the Error File. Only those claim schedules that are error-free can be generated. When requested by the agency, the Claim Schedule Face Sheet and accompanying remittance advices are printed by the agency's printer.

In some instances, agencies may want to enter a claim schedule batch to CALSTARS but do not want the payment transaction to process or have the claim schedule print until a specific date. An example is rent always due on the 20th of the month. In this situation, the expenditure transaction is recorded in CALSTARS with a future payment Due Date coded. The transaction is stored on the system's Warrant Write File. When the due date arrives, the record is automatically selected and reported with other claim schedule transactions eligible for printing. The transaction is released and the claim schedule is printed. Use caution when preparing batches so that transactions with future due dates do not delay other payments.

All claims forwarded to the SCO for payment are tracked by claim schedule number. As the agency receives notification of the claims paid, or of claim changes or rejections, the Document File must be updated. This file contains records for GLA 3020- Claims Filed, which is part of the month-end reconciliation function.

A second option is to produce the claim schedule face sheet and related remittance advice forms manually. This option is available to record requested payments to vendors when payments must be expedited and an agency cannot wait for overnight processing. Different transaction codes are used for manual claim schedules.

Obligation Accounting

CALSTARS can report obligations during the year. As distinguished from encumbrances, obligations arise from goods having been received or services performed pursuant to a purchase order or contract, but payment has not yet been made. During the year an agency may use the obligation general ledger to track the lag or variation in expenditures. Obligations are not cost allocated and/or fund split.

Receipt Accounting

A receipt is the collection of monies received by the state. The state collects monies from many sources including retail sales tax, personal income tax, bank and corporation taxes, federal grants, motor vehicle license fees, bond sale proceeds, and other taxes, fees and charges. The State Treasurer is accountable for all the cash received by the State Treasury. Many agencies initially deposit receipts into their bank accounts and then forward the proceeds to the State Treasurer. During this period, they have a responsibility for assuring that those receipts are properly classified and recorded. When making remittances to the State Treasurer, agencies have a responsibility to supply appropriate classification information on the Remittance Advice (Form CA-21).

CALSTARS records actual receipts applicable to estimated receipts budgets and classifies receipts at several levels of detail. Receipts are classified by organization, fund, program, project and source (type of receipt/purpose).

Accounts Receivable Accounting

Accounts receivable are amounts owed to the state by entities or individuals. These amounts are established for a variety of reasons, including:

- ✧ Billing for fees for services provided by an agency;
- ✧ Reimbursements for the actual cost of services provided another governmental agency;
- ✧ Grant payments from federal sources; and
- ✧ Refunds for overpayment of employees or vendors.

Generally Accepted Accounting Principles (GAAP) require government units to recognize revenues and reimbursements in the accounting period in which the amount earned is measurable and available. This implies the recognition and maintenance of receivable balances for amounts owed the state until the cash is received. The receivable will appear on the fund trial balance in summary form. It is

also necessary to record, monitor and control the status of each specific receivable to provide detailed support for the trial balance. CALSTARS accounts for receivables at the general ledger level, the detailed subsidiary level and the document file level. The subsidiary usually identifies the general type of receivable (e.g., Due From Other Governments). The general ledger control account maintains information on receivables by fund (e.g., GLA 1500). The Document file maintains information on the receivable by fund, FFY, GLA and Document Number (with associated detail classification). As receivables are entered, the appropriate accounting entries are simultaneously recorded in the control accounts, subsidiary accounts and/or the Document File.

CALSTARS maintains information on Accounts Receivable for agencies to assist them in monitoring and controlling amounts due to the state. The specific functions include:

- ✧ Item-by-item document accountability;
- ✧ Accounting for overdue receivables;
- ✧ Monitoring reimbursable projects; and
- ✧ Accounting for amounts due for specific federal grants.

Each of these functions is discussed on the following pages.

Item-by-Item Document Accountability

Each receivable is assigned a document number in CALSTARS, except loans which are accounted at the subsidiary level. All subsequent activity is identified by that document number. The transaction that establishes the receivable also may contain descriptive data such as payor name. This record is maintained for as long as the receivable is outstanding. When a payment is received or the receivable is increased, the document number is referenced to update the affected document file record. Separate subsidiary file records may be established for each receivable due from another state agency or appropriation (GLA 1400, 1500).

CALSTARS can also account for partial and final collections. As receipts are processed, the outstanding receivable is decreased by the collection amount. CALSTARS can also identify amounts where collections are for more than the receivable balance in the Document or Subsidiary file. Over-collections must be investigated to determine if any errors have occurred and adjusting/correcting entries are posted as needed.

Accounting for Overdue Receivables

To aid in determining when items are overdue, CALSTARS associates document dates with each receivable on the Document File and generates aging accounts receivable reports that reflect past due accounts.

Monitoring Reimbursable Projects

Some state agencies perform services for other agencies. Services are usually provided pursuant to an interagency agreement. Agencies accumulate the related costs and charge these costs to the receiving agencies based on a predetermined agreement. CALSTARS provides project accounting that accumulates reimbursable costs.

Accounting for Amounts Due for Federal Grants

Federal grant receivables may be established as project expenditures are anticipated or after they are incurred. Each grant must be accounted separately using project accounting for the specific grant period. Receipts may be received by letter of credit, issuance of invoice, or advance funding. CALSTARS tracks and reports revenue for each federal grant against estimated revenue budgets, draw-downs and allowed costs. These data provide information for billing and for agency monitoring of grant-related receivables. Also, see the *Federal Grant Accounting* subsection, below.

Office Revolving Fund

The Office Revolving Fund (ORF) is the means authorized by Government Code Section 16400 to facilitate the local disbursement of funds. Typically, ORF disbursements are made when the normal claim scheduling process would result in critical delays of payments to vendors. Other uses include making employee salary or travel advances. Employee salary advances are intended for those who do not receive their regularly scheduled salary checks or the amount is incorrect due to some documentation problem.

CALSTARS provides support for two basic ORF functions:

- ✧ Account for each advance individually; and
- ✧ Full accounting for the activities of the fund for both ORF and the bank reconciliation.

These two functions are discussed below.

Individual Advances

CALSTARS accounts for each ORF disbursement separately. Agencies record the vendor or employee name or number, check number, as well as additional identifying information for each check issued. For advances to employees, CALSTARS creates individual receivable accounts in the Document File and Vendor Payment File to provide an employee-by-employee reporting of amounts outstanding. As employees submit travel expense claims or return travel advances, the outstanding receivables are liquidated. As payments to vendors are scheduled for reimbursement through the claim scheduling process, the specific advance document is liquidated.

Full Accounting for Activities of the Fund

CALSTARS accounts for and reports on all assets, liabilities and transactions in ORF. Separate trial balances and transaction registers are produced reflecting all balances and transactions that affect ORF. CALSTARS has a local check writing capability that agencies may use to produce ORF and General Cash checks. An Outstanding Check File is also available to assist in the bank reconciliation process. It may be used in conjunction with, or independent of, the checkwriter function.

Federal Grant Accounting

Accounting for federal grants has become complex over the years. Separate records must be kept by each grant. One set of records is necessary for reporting to the cognizant federal agency. The other set is for meeting state accounting needs. In addition, some state agencies that receive federal grants distribute grant monies to other agencies for expenditure. In these cases, records are maintained for both the grantor and grantee agencies.

CALSTARS provides the following grant accounting and reporting capabilities:

- ✧ Account for each grant individually;
- ✧ Perform detailed cost accounting for each grant;
- ✧ Recognize appropriate accruals;
- ✧ Identify primary and secondary grant activity; and
- ✧ Provide flexible budgetary controls where required.

Each of these capabilities is discussed below.

Account for Each Grant Individually

Grant funds are generally considered as funding sources for some state programs. In the program and appropriation structure, grant-related expenditures may be identified to specific programs, elements, components, or tasks of a particular agency as a specific funding source. Even though the grant is considered a source of funding, the grant is also a unique reporting entity. The reporting requirements imposed by the federal government are specific and generally more complex than the state reporting requirements. CALSTARS identifies transactions to specific grants. Grants may be identified by Grant or Project Number as well as by federal Catalog Number. Grants are budgeted for and managed in support of agency programs as well. CALSTARS simultaneously classifies grant transactions by organization, program and grant. Moreover, grant activity can be accounted for using standard or special grant object and revenue source codes.

Perform Detailed Cost Accounting for Each Grant

Agencies and institutions distribute a portion of their indirect costs to the federal grants based on a predefined set of distribution factors. Such indirect cost allocation has become an important aspect of grant accounting because it ensures that the federal government bears a fair share of the agency's administrative burden.

CALSTARS supports cost accounting by permitting agencies to predefine the appropriate base and rate for indirect cost calculations for each grant. Using these bases and rates, indirect costs may be charged against the grants as the result of the automated cost allocation subsystem. CALSTARS also makes it possible to define an indirect cost pool into which eligible indirect costs may be charged initially. As part of the allocation process, this pool is credited with the aggregate amount of indirect costs that is distributed to the various grants by using a standard procedure. Thus, the pool becomes a clearing account with charges made initially when indirect expenditures are incurred and credits made subsequently when distributed to specific grants. Indirect cost pools may include more than grants. A portion of these costs may be charged to other programs and funding sources.

Recognize Appropriate Accruals

Agencies maintain a record of federal funds due them and obtain cash reimbursement for their federal expenditures as quickly as possible. This minimizes the amount of state cash used to finance federally funded programs. CALSTARS can account for the accrual of federal receipts as expenditures are incurred for specific federal grants. These accrued receipts are also accounted for as an accounts receivable that will be billed and later liquidated when the collection of federal cash is posted to the records.

Many agencies are reimbursed for their federal expenditures through the federal letter of credit process. Cash may be drawn on the letter of credit up to three days before it is disbursed. Agencies and institutions generally project their future cash needs before making this drawdown. In view of the current state warranting system, under which cash is not disbursed from the Treasury until the warrant is presented for payment, it is possible to drawdown federal cash simultaneously with warrant issuance without violating the federal requirement. CALSTARS produces a daily listing of direct disbursements against federal grants. This listing can be used to prepare the letter of credit drawdown document. At the time of the drawdown, the federal account receivable balance is credited for the drawdown amount.

Agencies may either issue an invoice or receive an advance. CALSTARS records each receivable by grant and liquidates it as cash is collected. If there is an advance, each disbursement is recorded and accounted against the advance.

Identify Primary and Secondary Grant Activity

Sub-grantee accounting applies to federal pass-through or other grants made to cities, counties, area agencies and local education agencies. Through the Project Control Table, an agency can identify sub-grantees and control sub-grants made to them while continuing to track the overall grant.

Provide Budgetary Controls

Agencies record grant (project) budgets and then expenditures against those budgets. Many federal grants have specific types of expenditures that are allowable and some that are not. Some types of expenditures may be allowable up to a certain dollar amount. If the agency establishes grant (project) budgets to reflect

permissible expenditures, CALSTARS can flag/reject expenditures that are not within the grant guidelines.

Federal standards sometimes require federal-fiscal-year-to-date reporting whereas the state requires state fiscal year reporting. Some grants may be awarded for time frames different from either the state or federal fiscal years. CALSTARS accounts for and reports the varying time spans by accumulating and reporting grant inception-to-date balances. The inception-to-date budget, expenditures and receipt data remains in CALSTARS for the life of the grant.

General Ledger Accounting

A fund is a set of self-balancing accounts used to record the fiscal activities of specific accounting entities. General ledger accounting involves the process of maintaining control accounts to reflect the status and activities of each separate fund or subfund, as appropriate.

CALSTARS maintains separate general ledger accounts for each fund. These general ledger accounts are control or summary level accounts and may be comprised of many detail or subsidiary records. There may be, for example, one general ledger account in each fund for accounts payable. This general ledger account is supported by many individual records maintained in a subsidiary and document file for various payables.

There are two major objectives for general ledger accounting:

- ✧ Maintain control over detailed records of an agency's activity; and
- ✧ Ensure that valid financial information is available to prepare financial statements.

General ledger accounting maintains control over the accounting records by two means. The first is by maintaining a set of self-balancing accounts for each fund and account group classification. Due to the double-entry system, the dual impact of each accounting transaction (debits equal credits) is recorded equally in CALSTARS. While the equality of debits and credits do not ensure the accuracy of account balances, it does provide assurance that each transaction has been properly posted.

A second method of control is through the reconciliation of the balances of the general ledger control accounts with the totals of the various subsidiary and document files that maintain the subsidiary account detail. Simultaneously posting each accounting transaction to both the general ledger and the appropriate subsidiary ledgers ensures that accounting events are properly reflected in both.

The CALSTARS General Ledger File provides a ready source of information for assessing the status of an agency's finances and the uses of available resources. The General Ledger File contains the current balance by fund of each asset, liability and fund balance account as well as the cumulative amounts of receipts and

expenditures for the accounting period. This enables CALSTARS to generate reports showing the financial position and results of operations of any fund within an agency for a given accounting period.

When an agency receives a federal grant or is involved in a federal project, it often has to report on the status of that project. This reporting focuses on the agency's accountability for federal funds. The agency may be required to produce financial data in the form of a trial balance or government-defined special reports. CALSTARS identifies real and nominal accounts by federal grant and generates appropriate trial balance data at this level. Detailed transaction reports and a transaction summary report are available to support any general ledger account on the trial balance.

DATA PROCESSING OVERVIEW

There are four principal data processing functions that are performed by CALSTARS. These functions include:

- ✧ Table Maintenance - maintains all CALSTARS tables;
- ✧ Input, Edit, and Update Process (IEUP) - processes all financial data and maintains the CALSTARS master files;
- ✧ Labor Distribution - provides exception and full positive timekeeping and resulting cost reporting; and
- ✧ Cost Allocation/Fund Split - provides automated support in the program cost accounting area by generating allocation transactions and funding based on the PCAs.

Each of these subsystems has been designed to satisfy a specific series of processing requirements. By using subsystems, CALSTARS meets agency and system requirements while conserving computer resources.

Table Maintenance

CALSTARS provides structural flexibility to agencies because it is "table-driven". This means that the specific accounting structure and processing logic for each agency is controlled through tables. It is through the maintenance of these tables that CALSTARS responds to new or changing information requirements. The data maintained in the tables is accessed by other CALSTARS subsystems. The CALSTARS tables include:

- ✧ Appropriation Symbol Table (AS);
- ✧ Budget Sequence Table (BS);
- ✧ Cost Allocation Table (CA);
- ✧ Descriptor Tables (DT) - Some are maintained by CALSTARS staff;
- ✧ Index Code Table (IC);

- ✧ Organization Control Table (OC);
- ✧ Program Cost Account Table (PA);
- ✧ Project Control Table (PC);
- ✧ Transaction Code Decision Table (TD) - Maintained by CALSTARS staff; and
- ✧ Vendor Edit Table.

The table maintenance process performs all maintenance functions against these tables. Detailed information and instruction on each table is provided in Volume 2, Chapter IV. Tables:

- ✧ Identify all codes used in the system for transaction editing;
- ✧ Provide descriptive information (English account titles) on all reports;
- ✧ Maintain constant data to reduce keying workload; and,
- ✧ Maintain all posting and edit rules for each transaction code.

Table maintenance is executed in a specific sequence of activities for the maintenance functions. In general, the functions for table maintenance are:

- ✧ **ADD** a new record, **CHANGE** an existing record or **DELETE** an existing record (or an entire FFY's records where applicable);
- ✧ **PRINT** all or part (by FFY where applicable) of an existing table for master table records; or
- ✧ **GENERATE** the next fiscal year's (FFY) table records automatically.

Table maintenance records found to be in error (except for Generate) are reported with appropriate error messages and rejected. Corrective maintenance action consists of reviewing the error message(s), correcting the transaction on the data entry document and completely rekeying the transaction.

NOTE: A Generated transaction with an error always posts. A "Warning" error message is printed on the activity report the day the transaction is recorded.

Each agency has its own set of tables and is responsible for their own table maintenance. Each table above is briefly described in the following paragraphs.

Appropriation Symbol Table (AS)

The Appropriation Symbol Table ties appropriations made to an agency and recorded in CALSTARS to those same appropriations recorded by the SCO and carried in the SCO's Agency Reconciliation Report. An Appropriation Symbol should be established for each SCO detail record. If some coding elements are not known or seem ambiguous, following the coding used by the SCO will assist in the reconciliation process. When Appropriation Symbols are established properly, the monthly reconciliation workload is reduced to a minimum.

Besides the accounting classification data, the Appropriation Symbol Table also contains several other informational elements. These include the effective dates of the appropriation and edit indicators that determine the type of fund control (i.e., absolute, where transactions are rejected, or advisory where items are posted but with warnings) exercised over the account.

Budget Sequence Table (BS)

The Budget Sequence Table controls the posting and sequencing of budget financial transactions in CALSTARS. The table is specific to each agency and has few edit controls. Except for the eighty characters of alphanumeric text, the remainder of each record is part of the table key. Key elements are Organization Code determined by the signon, Organization Code of the appropriation, Reference of the appropriation, Fund, Enactment Year, Funding Fiscal Year, and Budgetary Sequence.

This table may be created at any time by staff authorized to access Descriptor Tables. Once created or modified, a record is available for immediate use in a budgetary financial transaction. Since most agencies have only a few Budget Sequence records, no provision was made to accept records from external sources.

The Budget Sequence must be assigned by the agency in the same manner as the Sequence Number assigned by the Department of Finance. These codes are matched with similar records in the Department of Finance's BPS-10 file. Non-matches in either sequence number or dollar value will cause the CALSTARS record to be flagged during reporting.

Cost Allocation Table (CA)

The Cost Allocation Table provides the specific cost distribution parameters for those agencies using the CALSTARS cost allocation feature. All information related to PCAs that allocate to other PCAs are contained in this table. This information is accessed during the monthly cost allocation process to determine how and where costs are allocated. It is also used to indicate how cost recoveries are recorded.

The Cost Allocation Table control key is comprised of four data elements: Organization Code, Index Code, PCA, and FFY. The informational segment of the CA Table contains a variety of information about the allocation of each PCA.

Descriptor Tables (DT)

The descriptor tables contain all the valid codes used in CALSTARS. Some are maintained by the Department of Finance and cannot be viewed by agencies but may be copied and printed. The majority, however, are maintained by agencies. The descriptor tables edit the data elements contained on other table maintenance transactions as well as accounting transactions. In certain cases, data is retrieved from the descriptor tables and appended to the accounting transaction for further processing. The tables also contain the English title associated with each code. These titles are used for reporting purposes.

The descriptor table is a series of subtables (i.e., a unique table is identified for general ledger accounts, object codes, source codes, etc.). Each record in a subtable is identified by the organization code and a table entry key. Statewide tables use Organization Code **0000**.

Index Code Table (IC)

CALSTARS provides five levels of internal organization classification. Each agency determines its structure and levels. Rather than requiring agency personnel to code all five levels of classification on an entry transaction, that data is stored in the Index Code Table and assigned a 4-digit alpha-numeric Index. When coded on an entry transaction, the Index "looks up" the expanded organization classification data for editing, posting and reporting.

Organization Control Table (OC)

Each agency's accounting application is independent of every other agency in CALSTARS. This means that decisions made by one agency about the level of control exercised over appropriations or the timing of month-end closing do not affect the timing or levels of control exercised by any other agency. This flexibility occurs through the Organization Control Table. The OC Table contains a single record for each organization and fiscal year combination. For each agency, the table provides the following:

- ✧ Indicators to control month-end and year-end processing;
- ✧ An indicator to control labor distribution subsystem processing;
- ✧ An indicator to specify if a check file is maintained;
- ✧ An indicator to specify if the agency wants to use the automated CD 102 posting;
- ✧ An indicator to specify if the agency wants to use the Schedule 10/10R process;
- ✧ The Statewide organizational hierarchy;
- ✧ A cost allocation segment to specify instructions and parameters to the Cost Allocation Subsystem; and
- ✧ An error severity segment containing two sets of eighty character lines to control the posting of errors. Options are to post to the Error File, post to system files with a warning message, post to system files and ignore any errors or post to default accounts.

This table is created at the beginning of each fiscal year and normally requires little maintenance except setting monthly run indicators.

Program Cost Account Table (PA)

Program cost accounting and reporting is an integral part of CALSTARS. It is provided through the Program Cost Account and Cost Allocation Tables. The Program Cost Account (PCA) is a 5-digit alpha-numeric code, that is established in

the PA Table. Each agency defines its own program cost accounting structure. For each PCA defined within an agency, a variety of information must be recorded in the table. The required data includes an accounting data look-up segment that identifies programmatic data, and a fund source distribution segment that specifies the sources and percentages of funding of each PCA.

The PCA is required on expenditure disbursement and most receipt accounting transactions entered in CALSTARS. By entering the 5-digit PCA code, all appropriation, programmatic, project, and fund information associated with that cost account is retrieved from the table and used internally for all processing.

At least one PCA must be established for each detail appropriation record. That is, if an agency has three appropriations or appropriation line items, it must establish at least three PCAs.

Project Control Table (PC)

The Project Control Table is used for managing and editing project-related transactions. Informational elements provide data for each federal grant or agency special project/contract as well as several indicators that control the level of posting in CALSTARS master files.

Transaction Code Decision Table (TD)

Much of the system processing performed in the Input, Edit and Update Process (IEUP) is controlled by data contained in the Transaction Code Decision Table. This table is maintained by the CALSTARS staff and cannot be viewed or printed by agencies. Data contained in the table includes:

- ✧ The general ledger accounts affected;
- ✧ The edits performed;
- ✧ The files updated; and
- ✧ The indicators that control the transactions recorded in the various registers and subsystems.

Every accounting transaction processed by CALSTARS must contain a 3-digit alphanumeric transaction code that identifies the accounting event. One of the first transaction processing steps is to edit the code against the Transaction Code Decision Table and retrieve the indicators identified above that control transaction processing. Agencies that have special accounting needs may apply for transaction codes to be placed in the TD Table to meet those special needs.

Vendor Edit Table (VE)

The Vendor Edit Table contains the vendor number, name and address for both vendors and employees who receive/make payments. This information is stored in the VE Table to eliminate the need to manually enter name and address information on each disbursement or receipt transaction. Vendor information is required for recording accounting transactions such as disbursements and employee travel advances. When the vendor number is coded on an entry transaction, the VE Table

information is accessed and added to the transaction. An agency must use a vendor number for all reportable (taxable) payments and for a detail and summary record of payments to vendors.

This table is also used to record the agency's return address and contact person, by law, for the Remittance Advice sent to vendors. The name of the agency head and accounting officer use separate VE records for year-end financial statement purposes. Also a VE record is needed for the Accounting Office to receive microfiche and HHSDC printed reports via mailing labels produced by CALSTARS.

Input, Edit and Update Process (IEUP)

The Input, Edit, and Update Process is the portal for all financial data entering CALSTARS. Throughout this manual, "IEUP" is referred to as the "nightly system update process". This subsystem performs the following basic processes:

- ✧ Data Entry and Classification;
- ✧ Error Correction;
- ✧ Data Edit; and
- ✧ File Update.

An overview of each process is described below:

Data Entry and Classification

Entry into CALSTARS may be received through an online CALSTARS terminal or personal computer, from a CALSTARS subsystem (i.e., Labor Distribution or Cost Allocation) or off-line via an agency-created electronic file. Three types of transactions may be entered into this subsystem:

- ✧ Accounting transactions (i.e., accounting financial data such as encumbrances or disbursements);
- ✧ Error correction transactions (i.e., those transactions that were entered on a previous day, had been placed on the Error File, were corrected and are again going through the edit process); and
- ✧ File maintenance transactions (i.e., transactions submitted to interact with the claim schedule process or Claims Filed clearance (CD 102)).

Any other type of transaction is rejected by the Input, Edit and Update Process.

The first step in data processing is to accept and route all transactions to the proper program for further processing. Accounting transactions are passed directly to the edit program. Error correction transactions are passed to the error correction program where they are applied to the Error File.

Error Correction

Erroneous accounting transactions detected by CALSTARS are not discarded but are placed on the Error File. Accounting personnel may enter error correction transactions to correct the specific field(s) in error. These corrections are processed by the error correction program and then released to the edit program.

Data Edit

The data edit program receives two types of data:

- ✿ Corrected accounting transactions from the error correction process; and,
- ✿ Standard coding from the data entry and classification program.

The data edit program performs several key functions. First, it retrieves constant data stored in the TD Table, appends it to the transaction and uses that information to retrieve and edit constant data from the AS, IC, OC, PA, PC, and VE Tables. The information from the TD Table also contains file posting rules used in the file update process. If the transaction fails any data-related or fund-related edits (not overridden by the Organization Control Table), it is flagged as an error before being passed to the update processing cycle.

File Update

File update processing begins with the execution of the Primary Master File Update Program. This program performs financial edits and then posts the valid accounting transactions to the Primary Master Files. These file updates are performed based on the posting indicators retrieved from the Transaction Code Decision Table. If a transaction fails certain types of edits, it is written to the Error File and not posted to any master file. These transactions remain on the Error File until corrected or deleted. Some edits may be established as warnings only, in which case the transactions are posted to the master files and error messages are placed on the Error File for one day only on the same day the transaction is posted. Valid transactions are then passed to the Secondary Master File Update Program where the remaining master files are updated. No editing occurs before posting to the secondary master files.

Labor Distribution Process

The labor distribution process automatically posts Personal Services costs each month, often saving staff a significant amount of time. Besides capturing personnel costs at the lowest level of detail required in the classification structure, the labor distribution process also records statistical data (i.e., labor hours) to CALSTARS at the same level of detail. As a result of this process, accounting transactions are generated to record the labor distribution. These transactions are then processed through the nightly system update cycle.

Cost Allocation/Fund Split Process

The CALSTARS Cost Allocation/Fund Split processes provide automated assistance in the allocation of indirect costs to programs and the distribution of program costs among one or several funding sources each month. CALSTARS provides five alternative methods for allocating indirect costs.

The CALSTARS Operating File is accessed to identify the amounts to be allocated. Next, the Program Cost Account and Cost Allocation Tables are accessed to determine how the charges should be allocated. As a result of this process, accounting transactions are generated to record the cost allocation. These transactions are then processed through the nightly system update process.

REPORTING OVERVIEW

Once a transaction or series of transactions are entered and processed there must be some data output. CALSTARS produces the following:

- ✧ Response to online inquiry;
- ✧ Printed online data;
- ✧ Printed online reports;
- ✧ Generated reports;
- ✧ Standard reports; and
- ✧ Data sets.

These displays and reports available to each agency are described below.

Response to Online Inquiry

Data maintained for online inquiry include all valid table records (except some Descriptor tables and the Transaction Code Decision Table) and abbreviated information from selected files. This data is refreshed (updated) prior to the beginning of each processing day. Also available are all table and accounting transactions entered during that day. Any financial transaction entry during the day may be recalled, reviewed and changed if necessary.

CALSTARS has a NEWS function accessed through the Main Menu (Command **D.1**). Each day, the system operational status and reports on completion of the previous night's report requests is updated along with advisories and other information of interest to agency accounting staff. New messages are added during the day if there is a change in status or if there is some news of immediate importance.

Printed Online Data

Some data may be printed immediately. This includes:

- ✧ Any accounting batch that has been entered that day;
- ✧ All batch headers entered that day and unreleased batch headers from previous days;
- ✧ All error correction transactions entered that day;
- ✧ A listing of standard reports requested by the agency that day; and,
- ✧ A listing of all standard reports, including all available options (Ref Card).

If the printer is running, these print jobs remain in the queue until the printer is available and the report is printed.

Printed Online Reports

Agencies can use the checkwriter function to create check transactions, produce check registers and reports, and print actual checks. These checks may be either General Cash or Office Revolving Fund checks. Although not efficient for just a few checks, this process is available for same-day check production.

Claim schedules are created through "batch" processing (nightly system update) which is performed overnight. Once claim schedule transactions have successfully passed all edits, a report is generated by the next morning showing what claim schedules are available to print. If the transactions are correct, the agency then loads and aligns the claim schedule forms in the printer and prints them, as well as, Remittance Advices. The agency starts and controls claim schedule face sheet and remittance advice form printing.

Generated Reports

Prior to the beginning of each processing day, each agency automatically receives reports showing detailed transactions and transaction counts of the previous night's processing. Every transaction entered into CALSTARS is counted and displayed through some transaction report. All transaction reports have an 8-digit alpha-numeric identification in the upper left-hand corner.

There are other generated reports from the claim schedule, labor distribution, cost allocation year-end processes. Discussions and samples of reports are available in the chapters on these subjects.

Standard Reports

The CALSTARS standard reports are intended to meet the needs of most agencies. There is great flexibility in requesting reports. Each agency can select the specific reports to be produced on a daily or periodic basis. In addition, an agency may

choose from several options that control the print media, the print destination, the structure and content. Up to sixty reports may be requested each processing day.

Data Sets

Agencies may obtain direct access to their data in the CALSTARS tables and master files. Using their own software products, these data and files may be down-loaded locally for reports and interrogations, as needed.